

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

9807

2. STATE: **NJ**

New Jersey

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)

Title XIX

4. PROPOSED EFFECTIVE DATE

January 1, 1998

5. REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 U.S.C. 1396p

7. FEDERAL BUDGET IMPACT:

a. FFY 1998 \$ million

b. FFY 1999 \$10.0 million

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

*** SEE REMARKS

Attachment 4.19-A, Page I-260

" Page I-261

" Pages I-261.1 through

Page I-261.3

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19-A, Page I-260

" , Page I-261

10. SUBJECT OF AMENDMENT:

Respite adjustment of Charity Care subsidy payments

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

Exempt pursuant to 7.4 of the Plan

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

William Colman

14. TITLE:

Assistant Secretary

15. DATE SUBMITTED:

16. RETURN TO:

Division of Medical Assistance
and Health Services

P.O. Box 712

Trenton, N.J. 08625-0712

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

MAR 31 1998

18. DATE APPROVED:

MAR 06 1998

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

01/01/98

20. SIGNATURE OF REGIONAL OFFICIAL:

[Signature]

21. TYPED NAME:

Sue Kelly

22. TITLE: Associate Regional Administrator

Division of Medicaid and State Operations

23. REMARKS:

As per State letter received 5/16/01, previously submitted pages have been revised and approved as follows: Attachment 4.19-A pages I-262, I-262.1 and page I-262.2

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital**

3. Health Care Subsidy Fund - Charity Care Subsidy

- a) The charity care subsidy shall be determined according to the following methodology:
- i) If the statewide total of adjusted charity care is less than available charity care funding, a hospital's charity care subsidy shall equal its "adjusted charity care."
 - ii) If the statewide total of adjusted charity care is greater than available charity care funding, then the hospital-specific charity care subsidy shall be determined by allocating available charity care funds to equalize hospital-specific payer-mix factors with the statewide-target payer-mix factor. Those hospitals with a payer-mix factor greater than the statewide-target payer-mix factor shall be eligible to receive a subsidy sufficient to reduce their factor to the statewide level. Those hospitals with a payer-mix factor that is equal to or less than the statewide-target payer-mix factor shall not be eligible to receive a subsidy.
 - iii) Charity care subsidy payments shall be based on actual documented charity care.
- b) As used in the distribution of the charity care subsidy:
- i) The hospital-specific payer-mix factor shall be equal to the hospital's adjusted charity care divided by its revenue from private payers.
 - ii) The hospital's revenue from private payers shall be equal to the sum of the gross revenues, as reported on the Department of Health and Senior Services' (DHSS) most recent available New Jersey Hospital Cost Reports for all non-governmental third party payers including, but not limited to, Blue Cross and Blue Shield plans, commercial insurers and health maintenance organizations.

98-7-MA(NJ)

Supersedes 96-20

TN 98-07 Approval Date JUN 06 2001

Supersedes TN 96-20 Effective Date JAN 01 1998

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Instate Acute Care Inpatient Hospital Services
Disproportionate Share Hospital**

- iii) The hospital-specific adjusted charity care shall be equal to a hospital's documented charity care times its hospital-specific profitability factor.
 - iv) The hospital-specific documented charity care shall be equal to the dollar amount of charity care provided by the hospital that is verified in the DHSS's most recent charity care audit conducted under the rules adopted by the DHSS and valued at the same rate paid to that hospital under the Medicaid program, except for charity care services provided to emergency room patients who do not require those services on an emergency basis. Beginning Calendar Year 1997, those services shall be valued based on a schedule of rates adopted by the DHSS.
 - v) Documented charity care for the period January 1, 1998 through June 30, 1998 shall equal audited, Medicaid-priced amounts for the last quarter two years prior to the payment period and the first three quarters of the year prior to the payment period. Documented charity care for State Fiscal Year (SFY) 1999 and each SFY thereafter, shall equal the audited Medicaid-priced amounts for the most recent calendar year.
 - vi) The statewide-target payer-mix factor is the lowest payer mix factor to which all hospitals receiving charity care subsidies can be reduced by spending all available charity care subsidy funding for that year.
- c) A hospital's hospital-specific profitability factor shall be determined annually as follows:
- i) Valued at one (1) if a hospital's hospital-specific operating margin is less than or equal to the state-wide operating margin. If a hospital's hospital-specific operating margin is greater than the statewide median operating margin, hospital-specific profitability factor shall be equal to:

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- (1) $1 \text{ minus } [.75 \text{ times (the hospital-specific operating margin minus the statewide median operating margin)}]$ divided by (the highest hospital-specific operating margin minus the statewide median operating margin).
- ii) For 1996, the hospital-specific operating margin shall be equal to the hospital's 1993 and 1994 income from operations minus its 1993 and 1994 charity care subsidies divided by its 1993 and 1994 total operating revenue minus its 1993 and 1994 charity care subsidies.
- iii) For 1997 and each year thereafter, the hospital-specific operating margin shall be calculated in the same manner as 1996, but on the basis of income from operations, total operating revenue and charity care subsidies from the three (3) most current years.
- iv) A hospital's income from operations and total operating revenue shall be defined in New Jersey Regulations.
- v) Consistent with section 13261 of the Omnibus Budget Reconciliation Act of 1993 (OBRA'93), (Public Law 103-66). (Section 1923 (c) of the Social Security Act; 42 U.S.C. 1396r-4), DMAHS will limit its DSH payments to hospitals. Section 13261 of the OBRA '93 established hospital-specific limits on the amount of the payment adjustments that the State may make to a hospital during the State Fiscal Year ending June 30, 1996, and the years thereafter. The annual DSH payment to each hospital will not exceed the respective hospital-specific limit.

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